
MARCH THAW HITS UKRAINIAN CONSUMER MOOD

Press release

Results of consumer confidence survey in Ukraine, a joint project between GfK Ukraine and the International Centre for Policy Studies

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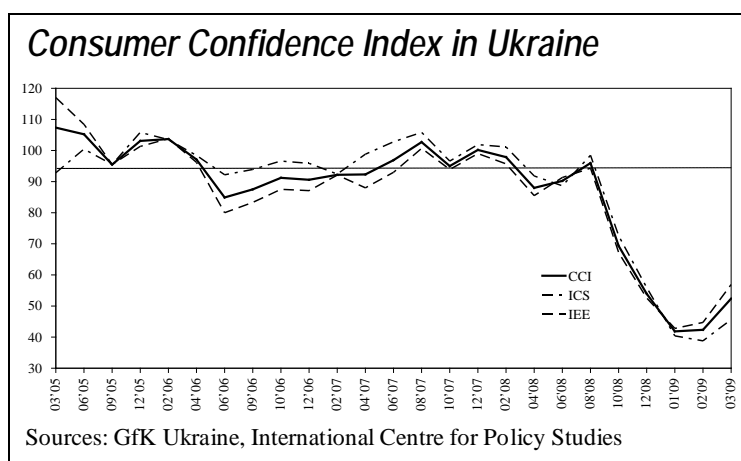
Contact: Maksym Boroda, Project manager
Tel. (044) 484-4400, e-mail: @icps.kiev.ua

At the start of Spring 2009, the Consumer Confidence survey registered a mild improvement in the consumer mood in Ukraine. The Consumer Confidence Index (CCI) stopped its continuing decline in February, while in March it began to grow again, rising 10.1pp to 52.4. This growth during the first month of spring is the largest jump the Index has shown in the last few years. And although this is against the unprecedentedly low level of CCI at the end of winter, it confirms our prediction that the peak of pessimism among Ukrainian consumers caused by the economic crisis has passed. Still, the CCI's current level indicates that nearly three quarters of the population remains negatively inclined.

The two main components of consumer confidence grew as convincingly as the CCI itself in March. Improved economic expectations have been growing for the last two months. Still, whereas the Index of Economic Expectations (IEE) inched up a mere 1.9pp in February, it jumped by a healthy 12.2pp in March, reaching 56.9. At the same time, evaluations of their current situation among Ukrainians grew for the first time in the last six months. The Index of the Current Situation (ICS) rose 6.9pp to 45.7. The last time this Index rose was in August 2008. This means that Ukrainian not only expect things to improve now, but are beginning to feel some positive changes in their current financial standing.

A positive dynamic could be seen in all the components of economic expectations and assessments of current standing in the first month of spring 2009. The most significant improvement was in expectations of further economic growth, both in the up coming year (x3), which surged 13.4pp to 43.3, and in the next five years (x4), which jumped 14.3pp to 69.8. This suggests that more and more Ukrainians expect the economic situation to improve, not only in the long run, but even in the short term. Assessments of personal material standing (x1) and expectations of changes in it (x2) improved more modestly. The Index x1 grew 8.9pp to 57.6, while the Index x2 rose 7.3pp to a still-negative 40.3. The Index of Propensity to Consume (x5) grew least of all, rising 6.4pp to 51.0. On one hand, this can be explained by the depletion of personal savings among Ukrainian consumers during more than half a year of economic recession, and, on the other, by expectations of further price deflation on specific goods markets.

March 2009 showed a clear increase in optimism in the mood among Ukraine's consumers on all levels. Nor were the indices inflationary expectations (IEE) and expectations of change in unemployment (IECU) an exception. The IEE contracted by 0.6pp to 185.8, which could be a response to the mild improvement in the hryvnia exchange rate to the US dollar, coupled with relative stability in prices. The IECU improved more significantly, falling 7.3pp to 155.2. The reason for this is most likely a stabilizing situation on the labor market, where there is so far no major trend toward improvement—or deterioration.



<i>Dynamic of Consumer Confidence Index in Ukraine</i>			
Month, year	Consumer Confidence Index (CCI)	Index of the Current Situation (ICS)	Index of Economic Expectations (IEE)
03'09	52.4	45.7	56.9
02'09	42.3	38.8	44.7
01'09	41.8	40.4	42.8
12'08	53.9	56.0	52.6
10'08	69.3	72.6	67.2
08'08	96.0	98.5	94.3
06'08	90.2	88.7	91.3
04'08	88.0	91.8	85.5
02'08	97.9	101.2	95.7
12'07	100.2	101.9	99.0
10'07	95.0	96.6	93.9
08'07	102.7	105.8	100.7
06'07	96.9	102.8	93.0
04'07	92.3	98.8	88.8
02'07	92.2	92.4	92.1
12'06	90.6	95.9	87.1
10'06	91.2	96.6	87.5
09'06	87.5	93.9	83.3
06'06	84.9	92.2	80.0
04'06	97.1	98.4	96.2
02'06	103.7	103.5	103.8
12'05	103.1	105.8	101.3
09'05	95.5	95.5	95.5
06'05	105.2	100.5	108.4
03'05	107.3	92.9	117.0
Sources: GfK Ukraine, International Centre for Policy Studies			

How the indices are calculated

From January 2009 consumer confidence survey is conducted on a monthly basis.

In Ukraine, the Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%.

To define the CCI, respondents are asked these questions:

1. How has the financial standing of your family changed over the last six months?
2. How do you think your family's financial standing will change in the next six months?
3. Looking at economic conditions in the country as a whole, do you think the next 12 months will be good or bad?
4. Looking at the next five years, will they be good ones or bad ones for the country's economy?
5. In terms of large purchases for your home, do you think now is generally a good time or a bad time to make such purchases?

Each of these questions is related to a corresponding index:

- Index of Current Personal Financial Standing (x1);
- Index of Expected Changes in Personal Financial Standing (x2);
- Index of Expected Economic Conditions in the Country Over the Next Year (x3);
- Index of Expected Economic Conditions in the Country Over the Next 5 Years (x4);
- Index of Propensity to Consume (x5).

Indices are constructed thus: the share of negative answers is deducted from the share of positive answers, and 100 is added to this difference in order to eliminate negative values. On the basis of these five indices, three aggregate indices are calculated:

- Consumer Confidence Index (CCI) as the arithmetic average of indices x1–x5;
- Index of the Current Situation (ICS) as the arithmetic average of indices x1 and x5;
- Index of Economic Expectations (IEE) as the arithmetic average of indices x2, x3, and x4.

Index values range from 0 to 200. The index equals 200 when all respondents positively assess the economic situation. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate the prevalence of negative assessments.

To determine the Index of Expected Changes in Unemployment (IECU) and the Index of Inflationary Expectations (IIE), the respondents are asked these two questions:

1. Do you think that within next 12 months the number of unemployed (people who do not have job and are looking for work) will increase, will remain roughly the same, or will decrease?
2. How do you think that prices for major consumer goods and services will change in the next 1–2 months?

The IECU and the IIE are calculated thus: the share of answers that indicate a decrease of unemployment/inflation is subtracted from the share of answers that indicate the growth of unemployment/inflation, and 100 is added to the difference to eliminate negative values. The values of indices can vary from 0 to 200. The index totals 200 when all residents expect an increase in unemployment/inflation.

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